

CITY OF ADAIR

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2019 THROUGH JUNE 30, 2020**

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City of Adair

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Larsen	Mayor	Jan 2020
Kyle Irlmeier	Council Member	Jan 2020
Craig Wedemeyer	Council Member	Jan 2020
Jeremy Gettler	Council Member	Jan 2020
Richard Hayes	Council Member	Jan 2022
Richard Stanley	Council Member	Jan 2022
Randi Lehman	Clerk/Treasurer	Indefinite

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Larsen	Mayor	Jan 2020
Richard Hayes	Council Member	Jan 2022
Richard Stanley	Council Member	Jan 2022
Kyle Irlmeier	Council Member	Jan 2024
Jeremy Gettler	Council Member	Jan 2024
Perry Leeper	Council Member	Jan 2024
Randi Lehman	Clerk/Treasurer	Indefinite



Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

We have performed the procedures enumerated below which were established at Iowa Code Chapter 11.6, to provide oversight to Iowa cities. Accordingly, we have applied certain procedures to selected accounting records and related information of the City of Adair for the period July 1, 2019 through June 30, 2020, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Adair's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.

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5. We scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We observed the City's fiscal year 2020 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.
9. We scanned debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We scanned and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We observed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We traced and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. We traced voter approved levies for proper authorization in accordance with Chapter 384.12 of the Code of Iowa.
14. We traced selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
15. We traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
16. We traced selected payroll and related transactions to proper authorization and accurate accounting and determine whether payroll was proper.
17. We observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Adair during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schroer & Associates, P.C.

Schroer & Associates, P.C.
November 17, 2020

Detailed Findings and Recommendations

City of Adair
Detailed Findings and Recommendations
For the period July 1, 2019 through June 30, 2020

- (A) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of Council proceedings be published within fifteen days of the meeting. Minutes for three of the four meetings tested were not published within fifteen days. One out of the thirty disbursements tested was not supported in its entirety with receipts to support the credit card charges being paid.

Recommendation – The City should comply with the Code of Iowa and publish City council minutes within fifteen days of the meeting, as required. All claims should be supported by invoices or receipts, including all credit card charges.

- (B) Deficit Fund Balance – At June 30, 2020, the City had the following deficit balances:

Capital Projects	\$254,153
Enterprise, Sewer	\$296,380

Recommendation – The City should investigate alternatives to eliminate the deficits in order to return these funds to a sound financial position.

- (C) Revenue Notes – The Enterprise, Sewer Fund has a deficit balance at the year ended June 30, 2019. The City has not established a sewer revenue note sinking account as required by the provisions of the sewer revenue note resolution. Also, the City has not established a water revenue note reserve account as required by the provision of the water revenue note resolution.

Recommendation – The sewer bond resolution requires that rates be sufficiently set to fund the operations of the Enterprise, Sewer Fund and service debt requirements. The City should review alternatives to meet this requirement. The City should establish the sewer sinking account and make the monthly transfers required. The City should also establish the water reserve account and make the monthly transfers required.

- (D) Separately Maintained Records – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, and expended for any city purpose, by any city officer, employee, or toher person, and which show the receipt, use, and disposition of all city property.”

The City of Adair Library Board maintains the accounting records pertaining to some of the operations of the library. These transactions and the resulting balances are not recorded in the Clerk’s records. We also noted that one person is responsible for the bookkeeping of these records.

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa and for better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records. The Library Board should provide compensating controls through oversight of transactions and processes to obtain the maximum internal control possible.

City of Adair
Detailed Findings and Recommendations
For the period July 1, 2019 through June 30, 2020

- (E) Certified Budget – Disbursements during the year ended June 30, 2020, exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, capital project, and business type functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation”.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (F) Investments – An accounting record/register is not maintained for each investment.

Recommendation – An accounting record/register for each investment which includes the cost, date purchased, interest rate, maturity date and identifying number should be maintained.

- (G) Urban Renewal Annual Report – The urban renewal annual report was approved and was certified to the Iowa Department of Management on or before December 1. However, the beginning debt was overstated by \$180,470 at July 1, 2018 based on the debt that was certified to the County.

Recommendation – The City should reconcile its records with the amount certified to the County. The City should use Form 3 to decertify any debt incorrectly certified to the County.